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DEA FOR OILS AND OFFICE OF DIVERSION CONTROL

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I. Summary

The Government of Canada (GoC) recognizes that substance abuse is a multi-faceted, well-entrenched health and social issue that affects a broad spectrum of Canadians. While marijuana continues to be a significant problem, methamphetamine has re-emerged from previous popularity in the 1970s and its consumption level is increasing. In 2005, the Government of Canada managed and responded to this situation by developing a major new policy initiative, by promulgating legislation and by expanding law enforcement cooperation and programs. Health Canada developed and coordinated the "National Framework for Action to Reduce the Harms Associated with Alcohol and Other Drugs and Substances in Canada," the first edition of which was released in November 2005. Canada's Renewed Drug Strategy, announced in May 2003, offers a comprehensive federal policy response to the harmful use of substances and includes programs addressing demand reduction, harm reduction, HIV/AIDS, Fetal Alcohol Spectrum Disorder, the relationship of homelessness and substance abuse, law enforcement, research, drug analysis and drug control legislation.

Federal legislative developments saw the side-lining of legislation to decriminalize possession of small amounts of (while increasing the penalties on producers); the classification of six precursors to require stringent licensing and stiffer penalties for illicit use and a reclassification of methamphetamine into the highest category for sentencing considerations.

The growth of organized crime groups is of continuing concern to Canadian law enforcement. For example, in 2005, the RCMP identified 108 organized crime groups operating in British Columbia, doubling the 2003 figure. The Criminal Intelligence Service Canada notes that organized crime either directly controls or indirectly influences all aspects of the illicit drug industry from cultivation to manufacturing and importation to distribution. The U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives attributes the recent increase in gun violence in Canada's larger urban areas (Toronto, Vancouver and Montreal) to organized crime gangs which are also involved in drug trafficking. Recent arrests of 91 individuals in Toronto under Operations Bulldog and Flicker indicate that organized crime groups involved in narcotics trafficking used guns in furtherance of their activities to protect their illicit products and territories.

Statistics Canada reports that, in 2004, 71 of the 172 gun-related homicides were gang-related.

Canada is party to three United Nations drug control agreements: the 1988 Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 Single Convention on Narcotic Drugs, as amended by the 1972 Protocol and the 1971 Convention on Psychotropic Substances.

II. Status of Country

Canada is a significant narcotics-consuming country and remains a significant producer and transit country for precursor chemicals and over-the-counter pharmaceuticals used to produce illicit synthetic drugs. Use of marijuana, MDMA/Ecstasy and methamphetamine continues to be of concern to the Government of Canada and remains the focus of many of the Government's 2005 efforts. As of September 30, the total number (not weight of the seizures) of 2005 seizures at Canada's borders is running at a rate consistent with 2004 end-of-year figures. Calendar year 2004 saw 8,711 seizures (including cocaine, heroin, marijuana, opium, MDMA/Ecstasy and steroids) while, as of September 30, there have been 6,333.

Canada is a source country to the United States for marijuana and MDMA/Ecstasy. The Royal Canadian Mounted Police (RCMP) note, in their September 22 Strategic Intelligence Assessment "Drug Situation in Canada - 2004," that Canada was a source to Japan for MDMA, methamphetamine and marijuana. The report states that Japanese authorities blame Japanese and Canadian criminal syndicates for creating a supply and demand

relationship.

The November 2004 Canadian Addiction Survey, the first major survey on substance abuse among Canadians since 1994, reported that the use of alcohol, cannabis and other drugs has increased in Canada over the past decade, with alcohol and cannabis continuing to be the most commonly used drugs. While cannabis use doubled from 7 percent to 14 percent, with youth between 15 and 24 comprising the most frequent users, rates of use of illegal drugs other than cannabis remain relatively low, with 2004 use levels at 3% or less.

Approximately 80 percent of federal offenders -- those serving sentences of two years or more in federal penitentiaries -- have a history of alcohol or other drug problems, and more than half were under the influence of alcohol or other drugs when they committed the offense that led to their incarceration.

Significant GoC action in 2005 includes increased regulation of and penalties for violation for methamphetamine. Reclassification from Schedule III to Schedule I requires not only tighter control but also increased maximum penalties. The GoC has passed legislation requiring increased standards for six pre-cursor chemicals. These requirements will go into effect on January 31, 2006. Recently passed legislation strengthens the Government's ability to seize assets from those convicted of financially benefiting from their illegal activities as well as enhancing cross-border intelligence sharing.

Cooperative cross-border law enforcement efforts include major seizures of marijuana and MDMA/Ecstasy (Operations Sweet Tooth and Medicine Man). Efforts continue to institutionalize the Integrated Border Enforcement Teams (IBET) and to expand cross-border law enforcement authority.

The 2005 National Framework for Action to Reduce the Harms Associated with the Use of Alcohol and Other Drugs and Substances in Canada, which evolved from ten cross-country roundtables dealing with substance abuse in Canada, provides the policy response to this growing concern. The Framework is meant to generate dialogue across jurisdictions, sectors and functions by articulating a vision, setting strategic priorities, defining and clarifying roles, providing a coordinating mechanism and providing funding.

III. Country Action Against Drugs in 2005

Policy Initiatives:

Health Canada has responsibility for overall coordination of the nation's drug strategy, although other departments, as well as municipal and provincial/territorial governments are involved in addressing the domestic use of illicit drugs -- particularly in the areas of treatment delivery, direct services and drug education and drug prevention programs.

In 1987, the GoC launched its federal Drug Strategy that focused on prevention, treatment, enforcement and harm reduction. The GoC renewed the Strategy in May 2003 and allocated approximately \$355 million annually (Note: All monetary figures in this report are in U.S. dollars) to support initiatives on leadership development, research and monitoring, partnerships and intervention and legislation. The GoC's comprehensive and central piece of drug control legislation is the 1996 Controlled Drugs and Substance Act. It came into force in 1997 and replaced the previous Narcotic Control Act.

In August 2005, the GoC moved methamphetamine from Schedule III to Schedule I of the Controlled Drugs and Substances Act. Placement in this category increases maximum penalties for possession, trafficking, importation, exportation and production of methamphetamine and puts it in the same category as cocaine. The maximum penalty for production and distribution of methamphetamine was increased from ten years to life in prison.

In November, the Government implemented the Precursor Control Amendments, the first major amendments to augment the 2003 Precursor Control Regulations. These amendments strengthen verification of import and export licensing procedures, require that companies requesting those licenses provide additional detail in their initial requests, provide guidelines on the suspension and revocation of licenses for abusers and add controls of six chemicals that can be used to produce GHB and/or methamphetamine. They are: gamma butyrolactone, 1,4 butanediol, red phosphorus, white phosphorus, hypophosphorous acid and hydriodic acid. Health Canada is currently hiring eight new regional inspectors whose focus will be to monitor these new regulations. The new staff members will be in place in early 2006 and supplements current number of XXX (Health Canada has yet to get back to me).

In November, the Parliament passed a Proceeds of Crime Bill, amending previous legislation that targets the illicit proceeds of organized crime, including serious drug offenses, and authorizes the courts to order the forfeiture of property of those convicted of either membership in a criminal organization or certain drug-related offenses. While the Criminal Code has permitted the seizure, restraint and forfeiture of proceeds of crime since 1989, this new legislation makes it easier for the authorities to seize property from criminals and drug traffickers by placing the burden on them to prove that their proceeds did not derive from illegal activity. This recent change also enhances cross-border intelligence sharing efforts that had previously been more limited by Canadian law.

Due to Canada's confederation system, drug awareness education programs, while supported by Health Canada, are delegated to and implemented at the provincial level. Federal regulations provide guidelines to provinces that, in some cases, implement tighter regulations than those required by the federal government.

In November, Manitoba and Saskatchewan amended their drug schedules regulations to require that single-source cold remedies containing only pseudoephedrine be sold from behind pharmacy counters. Manitoba passed a regulation classifying pseudoephedrine as a drug under the Pharmaceutical Act and has mandated the change effective January 15, 2006.

In November, Manitoba Meth Task Force, led by Manitoba Health and Manitoba Justice, launched a \$226,000 public awareness campaign to counter crystal methamphetamine use, as part of the province's approach to restrict supply and reduce demand.

NDMAC, a non-profit industry association whose members manufacture health care products, including over-the-counter medicines, implemented MethWatch in November 2004, with a launch in early 2005. This voluntary program focuses on retailers -- rather than manufacturers who are the target of the 2003 Precursor Control Regulations -- and trains participants to monitor and identify irregular sales of various crystal methamphetamine precursors. Developed in conjunction with RCMP and Health Canada as the 2003 Precursor Legislation was passed, MethWatch is modeled after a successful public-private partnership program in Kansas. During 2005, about 75% of the Canadian pharmacies, including the major drug chains, have begun to participate in the program that uses RCMP's Chem-Watch Hotline to compile intelligence and track trends. Implementation at the community level is ongoing, particularly in British Columbia, and the program focuses on preventing the diversion of chemicals from pharmacies that could be used in the illicit production of crystal methamphetamine in home-based environments.

In 2005, the Department of Justice, whose prosecutors manage some 80% of the federal drug prosecutions across Canada under the Controlled Drugs and Substances Act, designated one prosecutor in nine of the ten provinces (with the exception of Prince Edward Island) as the point of contact for methamphetamine prosecutions. These individuals are charged with developing an expertise in managing prosecutions with this growing problem.

In the absence of minimum sentences for drug offenses but in an effort to promote consistent sentencing standards, the Department of Justice has developed a prosecutorial manual to encourage judges to assign the maximum penalties possible when sentencing people convicted of managing grow-ops. Presented as a template, this support document reminds prosecutors and judges of the extenuating and aggravating circumstances as well as case law when arguing their cases and rendering their decisions. (Note: Canada had minimum sentences for drug offenses for approximately seven years until a 1987 Supreme Court ruling eliminated them.) Department of Justice officials indicate that there is increasing interest in instituting stricter penalties for those convicted of grow-op marijuana production as well as talk about the establishment of a Task Force to look at sentencing issues and standards.

In anticipation of the future passage of pending impaired driving legislation that includes drugs and alcohol, the RCMP has instituted a three-year \$10.2 M training program to train trainers on drug recognition evaluation (D.R.E.) and Standardized Field Sobriety Testing (S.F.S.T.). By 2007-2008, Canada plans to have more than 3,500 officers trained to administer the S.F.S.T., close to 400 officers trained as Drug Recognition Experts and 175 D.R.E. instructors. Current statutes do not permit law enforcement officials to require roadside physical sobriety tests, D.R.E. at police stations or to acquire samples of body fluids. The new legislation, expected to be reintroduced in the post-election legislative push, will mandate compliance and provide criminal penalties for refusal. The RCMP in British

Columbia, inspired by access to California's similar program, currently uses this program on a voluntary basis and has received convictions. Manitoba currently has provisions in its highway legislation that permits its law enforcement officers to require tests.

Accomplishments:

The United Nations Office on Drugs and Crime noted Canada's compliance with the 1988 Convention with regard to chemical importation, including, but not exclusively, ephedrine and pseudoephedrine.

In response to the growing international and chemical diversion problem, the RCMP instituted the National Chemical Precursor Diversion Program in 2001 and designated five national coordinators in Montreal, Toronto, Edmonton, Vancouver and Ottawa. These coordinators liaise with the chemical industry, assist drug investigators conducting clandestine laboratory investigations and provide training to the chemical industry. A 2005 funding request that would have provided additional resources for the program has been tabled until after the January 2006 Canadian elections.

Law Enforcement Efforts:

During the 2004-2005 fiscal year, the RCMP conducted a total of 430 marijuana grow operation (MGO) investigations and 87 investigations of clandestine laboratories (clan labs). During the year, a total of 570 MGOs and 36 clan labs were disrupted, contributing to the seizure of nearly 250,000 plants from MGOs and 64,000 dosage units of illicit or harmful substances from the clan labs. MDMA/Ecstasy represented over one-third of the substances seized from the clan labs. During the same year, a total of 283 arrests linked to organized crime were made in relation to MGOs, compared to five arrests in relation to the clan labs.

Operation Sweet Tooth, a 24-month investigation that targeted international MDMA/Ecstasy and marijuana trafficking rings whose drug smuggling and money laundering operations ranged from the Far East to Canada and the U.S., resulted in the arrest of 291 individuals and the execution of 98 search warrants both in the U.S. and Canada. The seizures totaled 931,300 MDMA tablets; 1,777 pounds of marijuana; and \$7.75 million in U.S. assets. DEA, with assistance from the RCMP and the Canada Border Services Agency, dismantled two major drug transportation rings with ties to 61 separate domestic investigations. The Operation Sweet Tooth organizations were responsible for distributing 1.5 million tablets of MDMA per month, which is equivalent to approximately 22.7% of the estimated 8 metric tons of MDMA imported into the U.S. in 2003. The financial aspects of the investigation revealed that the drug trafficking syndicates laundered millions of dollars in drug proceeds through the use of bulk courier transport, money remitters and the Vietnamese underground banking system.

In July, Canadian officials arrested three Canadians under a warrant issued in Seattle and in accordance with the MLAT agreement. They are charged with conspiracy to distribute marijuana, conspiracy to distribute marijuana seeds and conspiracy to engage in money laundering. The U.S. is seeking their extradition to stand trial in Washington State.

In July, 1,778 kg of MDP-2-P was intercepted in the Port of Vancouver concealed in a container arriving from China. This amount of precursors was sufficient to manufacture 1,400 kg of pure MDMA/Ecstasy which represents a potential of 14 million tablets.

In July, French police -- aided by DEA and an ongoing RCMP investigation -- arrested and charged two Canadians after stopping their boat, containing 1.5 tons of cocaine, off the coast of Martinique. Police say the seizure was worth \$30 million and that there were indications of organized crime involvement.

In July, as a result of a cross-border multi-month surveillance and intelligence-gathering operation, U.S. police, working with inspectors from the Canada Border Services Agency, arrested three Canadians, who had constructed a 110-meter (120-yard) underground tunnel from B.C. to Washington State to transport marijuana into the U.S. They were charged with conspiracy to distribute marijuana and conspiracy to import marijuana. The tunnel was subsequently destroyed.

In August, police in Alberta made the largest-ever Ecstasy bust in the province's history and seized some \$3.7 million worth of street drugs including 213,000 tablets of MDMA/Ecstasy laced with methamphetamine. This follows a seven-month RCMP drug and organized crime investigation that saw 35 people arrested in February in Edmonton for trafficking in a controlled substance, possession of a controlled substance, possession of the proceeds of crime and

firearms offenses.

In September in Richmond, B.C., the RCMP intercepted a shipment of 600 kilograms of sodium borohydride on its way to a home owned by a real-estate agent. This is enough to make 15 million pills, estimated at \$261.8 million. During the seizure, they found 200 kilograms of liquid Ecstasy with a street value of \$13 million.

Over several days in September in rural New Brunswick, police uncovered a marijuana grow-operation with more than 20,000 plants, one of the largest outdoor grow-ops in Canadian history. Authorities arrested five people with Asian criminal organization connections, providing evidence of criminal organizations' west to eastward movement through Canada.

An 18 month trans-border investigation by the Drug Enforcement Administration (D.E.A.) and the RCMP, designated Medicine Man and concluded in September, led to the arrests of 45 individuals, including Canadian nationals, and the seizure of over 600 pounds of Canadian-grown marijuana, 80,000 MDMA/Ecstasy tablets, over \$2.3 million in assets (of which \$1.3 million was U.S. currency), and seven guns.

Working collaboratively with the D.E.A. and Spanish authorities, the RCMP assisted in the seizure of a yacht containing one ton of cocaine off the coast of Spain. Four of Canada's largest drug kingpins were arrested during the operation that was related to earlier seizures during the summer of 1.5 tons of cocaine in various yachts in the middle of the Atlantic Ocean. The four men are part of a Canadian organized crime ring operating in Europe that ships Colombian cocaine through the Caribbean and on to Spain.

Corruption:

Canada holds its officials and law enforcement personnel to a high standard of conduct and has strong anticorruption controls in place. Pursuant to the January 2004 initiative to improve transparency in government that included the releasing on a quarterly basis the public expenditures of senior government officials, the Government publishes expense information on individual ministerial websites and at the following centralized website: http://www.tbs-sct.gc.ca/pd-dp/gr-rg/index_e.asp. In spite of this legislation, concern exists about lack of oversight and the lack of transparency in Canadian politics, as well as lack of enforcement of Whistleblower legislation. Transparency International's latest report, released in October, indicated that Canada has slipped for three consecutive years (landing in fourteenth place) in their annual index of ethical governments.

Civil servants found to be engaged in malfeasance of any kind are removed from office and are subject to prosecution. Investigations into accusations of wrongdoing and corruption by civil servants are thorough and credible. No senior government officials engage in, encourage, or facilitate the illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. As a matter of government policy, Canada neither encourages nor facilitates illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions.

Canada does not receive any INL funding for counter-narcotics efforts or programs.

In September, the MESICIC (the Follow-Up Mechanism for Implementation of the Inter-American Convention Against Corruption) reported that Canada was compliant with select provisions of the Inter-American Convention Against Corruption.

Agreements and Treaties:

Canada is party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention on Narcotic Drugs as amended by the 1972 Protocol. Canada is also a party to the Inter-American Convention on Mutual Legal Assistance in Criminal Matters and the Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials. Canada has also signed the Inter-American Convention Against Corruption. Canada is a party to the UN Convention against Transitional Organized Crime and its protocols on migrant smuggling and trafficking in persons. Canada has ratified all 12 United Nations Security Council Resolutions pertaining to terrorist financing. Canada actively cooperates with international partners; for example, the GOC has signed 30 bilateral mutual legal assistance treaties and 87 extradition treaties with other nations. Judicial assistance and extradition matters between the U.S. and Canada are made through an MLAT and an

extradition treaty and protocols. The U.S. and Canada have shared forfeited assets through a bilateral asset sharing agreement.

Canada actively participates in numerous international activities aimed at reducing illicit drug use. Canada held the Chairmanship of the Organization of American States, Inter-American Drug Abuse Control Commission (CICAD) from November 2003 until November 2004, during which time CICAD expanded its work promoting active cross-border cooperation and combating transnational organized crime. Canada currently holds the Chairmanship for two CICAD working groups: 1) the Intergovernmental Working Group tasked with reviewing the Multilateral Evaluation Mechanism (MEM) (2005 - 2006) and 2) the Expert Group on Demand Reduction (2004 - 2006). The GOC provides \$870,000 annually to CICAD for support of the Multilateral Evaluation Mechanism (MEM) as well as partnership projects between health and law enforcement agencies to confront drug-related problems in a more comprehensive manner. The GOC also participates actively in the Dublin Group of international program donors and the Commission on Narcotic Drugs (CND) of the UN Office on Drugs and Crime (UNODC) to which it provides \$1.74 million annually. In April 2005, Canada was elected as a member of the UN Commission on Narcotic Drugs.

Cultivation/Production:

Cannabis cultivation, because of its profitability and relatively low risk, is a thriving industry in Canada. In 2004, the RCMP estimated that annual Canadian marijuana production ranges between 960 and 2400 metric tons. While viewed as a nationwide problem, marijuana is heavily cultivated in British Columbia, although significant production levels are now reported in Ontario and Quebec. A September 2005 seizure of 20,000 marijuana plants in New Brunswick indicates that grow operations are moving into non-traditional areas. Though outdoor cultivation continues, use of indoor grow operations is increasing because it allows production to continue year-round; they are also becoming larger and more sophisticated. The RCMP reports the involvement of ethnic Chinese and Vietnamese organized crime organizations in technologically-advanced organic grow methods and that hydroponic hothouse operations in Canada produce marijuana with elevated THC levels.

The demand for and production of illegal synthetic drugs also appears to be on the rise with the manufacture of methamphetamine and MDMA/Ecstasy exhibiting a dramatic rise over the past two years. The clandestine laboratories where these drugs are manufactured, traditionally located in rural areas but expanding into urban, residential neighborhoods, are becoming increasingly larger and more sophisticated. Over the past five years, methamphetamine labs have represented approximately 60 percent of all clandestine labs seized in Canada. Clandestine laboratories, particularly those producing methamphetamine, continue to grow rapidly and are being reported in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

Reports of both voluntary and involuntary use of Gamma-hydroxybutyrate (GHB) are increasing, as is the illicit market accompanied with it.

Drug Flow/Transit:

Marijuana is smuggled from Canada (primarily B.C., Ontario and Quebec) into the U.S. by land, air and water transport. Organized crime groups occasionally transship marijuana produced in B.C. to the U.S. via Ontario. In spite of the domestic supply of marijuana, importation conspiracies continue. Most of the seizures were made at airports, where the drugs were concealed on commercial flights arriving from Jamaica and Mexico. While, in general, organized crime networks, including Hells Angels, Italian and Vietnamese groups, operate and co-exist, acts of violence associated to the marijuana trade have increased with the expansion of criminal activity. For example, in Richmond, B.C., over a three and a half month period, members of organized crime groups conducted ten home invasions, believing that the addresses housed marijuana grow operations. However, only six were actual marijuana growth operations (MGOs). The cross-border movement of marijuana as well as MDMA/Ecstasy to the U.S. has resulted in an abundance of U.S. currency in Canada. Traffickers use casinos, monetary instrument purchases or electronic funds transfers to launder some of their proceeds. Canada Border Services Agency noted that, as of September 30, 360.4 kilograms of marijuana were seized at the border.

Significant seizures of MDMA/Ecstasy and methamphetamine seized from domestic clandestine laboratories indicate the spread of larger and more sophisticated organized crime operations. Prior to 2004, MDMA arrived mainly in tablet or powder form from Europe. In 2004, importation of MDMA decreased as traffickers began to produce the drug on a large scale in Canada. Clandestine lab seizures throughout the country during 2004 show evidence of an Asian organized crime network that, among other activities, imports precursor chemicals directly from source countries such as China. Despite the surge in domestic manufacturing, shipments of

MDMA powder and tablets continue to be intercepted at Canadian ports of entry, notably Montreal, Toronto and Vancouver. Canada Border Services Agency noted that, as of September 30, 54,194 doses of MDMA/Ecstasy were seized at the border.

Another significant shift in illicit synthetic drug activity over the last year has been the continuing rise in methamphetamine trafficking and availability. The bulk of methamphetamine available in Canada is derived from domestic clandestine laboratories spread Canada-wide and expanding eastward. Over the last several years, Alberta has emerged as a methamphetamine hot spot and has experienced a surge in clandestine lab activity, coupled with associated rises in other crimes such as theft, assault, and petty larceny. Evidence of increased involvement by outlaw motorcycle gangs and independent and Asian organized crime networks exists in methamphetamine production, trafficking and distribution in Western Canada and Quebec. Approximately 95 percent of the methamphetamine sold on the main-stream illicit market originates from multi-kilogram operations. By contrast, most of the methamphetamine labs seized in Ontario over the past two years were small labs operated by individuals in rural areas in the southern part of the province. In Quebec, methamphetamine traffickers manufacture and market most of the product in tablet form, a trend consistent with the growing demand by users in the rave/club scene.

The Caribbean islands of St. Lucia, St. Martin, Trinidad, Haiti, Jamaica and Antigua are the most common transit points for cocaine en route to Canada. The U.S. is another major transit point for cocaine shipment destined for Canada. The amount of cocaine seized at the land border entering British Columbia almost doubled in 2004, although there were fewer actual seizures of increased quantity. Traffickers of large cocaine shipments intercepted in 2004 used, for the most part, small, privately-owned sailboats to smuggle the drugs into Canada, where they unload shipments in isolated areas along the Canadian coast. Traffickers transport the drugs, usually overland, to urban centers. Outlaw motorcycle groups, Italian and Caribbean crime groups in addition to Canadian-based independent organized groups are the major smugglers of large cocaine shipments into Canada, although Colombian brokers serve as intermediaries between Canadian organizations and Colombian producers. Canada Border Services Agency noted that, as of September 30, 1,165.7 kilograms of cocaine were seized at the border.

Opium and heroin seizures in Canada have risen steadily. Often, supplies of these drugs arrive concealed in luggage, picture frames and courier parcels at Canadian marine and air ports of entry. The opium and heroin, originating in Afghanistan, Pakistan, Iran and India, is usually routed through a European country or the U.S., often by Southeast Asian and Southwest Asian traffickers. Canada Border Services Agency noted that, as of September 30, 159.4 kilograms of opium and heroin were seized at the border.

As of September 30, the total number (not weight of the seizures) of 2005 seizures at Canada's borders is running at a rate consistent with 2004 end-of-year figures. Calendar year 2004 seizures (including cocaine, heroin, marijuana, opium, MDMA/Ecstasy and steroids) were 8,711 while, as of September 30, authorities have made 6,333 seizures.

Domestic Programs:

The Government of Canada, under the Drug Strategy and through Health Canada, provides funds for demand reduction, education, treatment and rehabilitation efforts, the delivery of which is primarily the responsibility of the provincial and territorial governments. The National Framework for Action to Reduce the Harms Associated with the Use of Alcohol and Other Drugs and Substances in Canada, developed at a national forum in Montreal in June and published in November, is the most recent mechanism to meet the societal challenges posed by substance abuse. Under the Framework and through the Canada Drug Strategy, the Government will bring together all concerned parties to identify priority issues for joint action and program implementation.

The Government contributes \$12.2 million annually through the Alcohol and Drug Treatment and Rehabilitation Program (ADTR) for provincial and territorial drug treatment and rehabilitation services for women, young Canadians and other high-risk groups. An additional \$60.8 million for the National Native Alcohol and Drug Abuse Program and the national youth Solvent Abuse Program plus \$8.7 million annually for community projects focusing on substance abuse through the Drug Strategy Community Initiatives Fund (DSCIF), established in April 2004. The DSCIF was created with a budget of approximately \$8.5 million to facilitate the development of national and community-based solutions to substance abuse problems in two main areas: public awareness promotion and prevention and harm reduction. Funding is provided for initiatives at the national, provincial,

territorial, regional and local levels. Approximately 150 projects have been funded.

The Correctional Service of Canada (CSC) estimates that nearly 80% of federal offenders have a history of alcohol and/or other drug abuse and, 21% of offenders have at least one drug-related conviction. The CSC manages substance abuse programs for its audience, including the male prison populations as well as special programs for Aboriginal and women offenders. The Aboriginal Offender Substance Abuse Program (AOSAP) is currently being implemented as a pilot project, and the Women Offender Substance Abuse Program (WOSAP) is in the implementation phase. Methadone Maintenance Treatment Programs are available for offenders who meet the program criteria, and Intensive Support Units exist for offenders who are committed to living a drug-free lifestyle while incarcerated. The CSC has pioneered the use of a para-professional model for treatment delivery and correctional intervention that employs more than 200 CSC trained and certified staff to deliver these programs in institutions and in the community. More than 5,000 offenders are involved in substance abuse interventions each year, with some 3,000 per year participating in the accredited substance abuse programs.

The GoC, under the Drug Treatment Court (DTC) Funding Program of Canada's Drug Strategy, has expanded its Drug Treatment Court program from the original two -- in Toronto and in Vancouver -- to include courts in Ottawa, Regina, Winnipeg and Edmonton. Inspired by the U.S. model but adapted to meet Canadian needs, the Drug Treatment Courts offer voluntary participants a structured, court-guided and monitored environment through which to overcome their addiction and reintegrate into society and the economy. The programs focus on harm reduction and law enforcement provide an alternative to court-imposed jail time for offenders who often have extensive criminal records but, according to community-based standards, have not been incarcerated. The Government plans to establish standardized performance measures and outcomes and develop a centralized system to gather and analyze outcome-based data within and across drug treatment courts.

The Toronto Drug Treatment Court, opened in 1999 as the first such center outside the United States, provides technical assistance and funding to five Caribbean countries and Brazil, the result of which has been the establishment of their own drug treatment courts.

In collaboration with its federal partners, Health Canada released two key products in early 2005: an information booklet to encourage informed dialogue between parents and youth about marijuana and an interactive website, (www.drugwise.gc.ca), aimed at discouraging harmful substance use among youth. While the initial focus of the website is on marijuana, alcohol, methamphetamine and drug-impaired driving, it will evolve to include information on other harmful substances. The RCMP, through its Drug Awareness Service, continues its outreach programs to schools and communities to deliver information to youth on the consequences associated with drug use. As part of the National Chemical Diversion Program, established in 2001, the RCMP hosted a Chemical Diversion Awareness Conference in September in Ontario.

Part IV -- U.S. Policy Initiatives and Programs:

Bi-lateral Cooperation:

Canada and the United States enjoy a close and dynamic law enforcement relationship. The two countries cooperate closely at the federal, state/provincial, and local levels, and this collaboration also extends into the multilateral arena. The annual U.S./Canada Cross-Border Crime Forum engages policy-makers and senior operational directors in a joint effort to guide the relationship strategically, to develop a common agenda, and to enhance operational coordination. The Forum's technical working groups continue to identify priorities and areas for increased cooperation, such as intelligence sharing. For instance, at the October 2004 Forum, the U.S. Department of Justice and the Department of Public Safety and Emergency Preparedness Canada (PSEPC) released a joint interagency threat assessment on the cross-border illegal drug trade. Project North Star is an ongoing mechanism for law enforcement operational coordination at the state and local level. The successful joint Integrated Border Enforcement Teams (IBETs) have become a primary tool in ensuring that criminals cannot exploit the international border to evade justice. Currently, there are 15 IBET regions supported by 25 IBET teams, in which U.S. and Canadian law enforcement routinely work in tandem on border security matters.

The recently concluded and implemented Shiprider concept may provide a new tool for future joint law enforcement efforts by providing trans-border law enforcement authority to Canadian law enforcement in the border environment -- including counter-narcotics. During the first trial

operation in September, the U.S. Coast Guard (USCG) and RCMP officers worked together on maritime law enforcement issues in the Great Lakes, and provided a basis for the expansion of similar cooperative efforts along the shared border. Because of the high level of mutual confidence, the RCMP and U.S. law enforcement agencies provide reciprocal direct access to each other's criminal databases, including the Canadian Police Information Center (CPIC), a firearms identification database, and a unique automotive paint chip database. Canadian law enforcement benefits from access to the El Paso Intelligence Center (EPIC) and the National Drug Intelligence Center (NDIC). However, while some recent legislation has enhanced trans-border intelligence sharing, some aspects of Canada's criminal justice system, such as Canada's strict privacy laws, limit timely information exchange in some areas.

The two governments have a broad array of agreements in place to facilitate cooperation in legal matters, such as the extradition and mutual legal assistance treaties, an information-sharing agreement, and an asset sharing agreement. Canada is the USG's principal extradition partner.

The United States-Canada Border Drug Threat Assessment, most recently published in October 2004, is being revised under the Security and Prosperity Partnership and is scheduled for release in 2006.

Road Ahead:

The U.S.G. has identified a series of high profile anti-narcotics goals that it plans to achieve with its Canadian counterparts:

- continue and expand the effectiveness of bilateral cooperation and operations against trafficking organizations involved in all illicit drug growth, production and distribution,
- monitor and track illicit pre-cursor chemical activity and intercept shipments identified for illegal production activity,
- target and eliminate the recent trend of ethnic Chinese groups' production of MDMA in Canada, in addition to efforts to interrupt general organized crime activity,
- identify and interrupt money laundering operations in Canada,
- persuade Canada to more expeditiously investigate, arrest and prosecute individuals and organizations suspected of participating in Canada's illegal drug trade and
- encourage Canada to continue the strengthening of its pharmaceutical regulations and industry compliance so precursor chemicals are not diverted to the U.S. for criminal use.

The RCMP will host the annual DEA-sponsored International Drug Enforcement Conference (IDEC) in May 2006 in Montreal. The conference brings together high ranking law enforcement officials from 70 countries to share drug-related information and develop a coordinated approach to law enforcement efforts. The conference identifies emergent global trends, identifies legislative needs in developing countries and develops strategies to better equip those countries to target international drug organizations.

Major Precursor or Essential Chemical Source Countries

Canada remains a significant producer and transit country for precursor chemicals and over-the-counter pharmaceuticals used to produce illicit synthetic drugs. Health Canada, the RCMP and the Canada Border Services Agency are the agencies responsible for chemical control. Health Canada, the competent authority for managing the export of pre-cursor chemicals under the 1988 UN Convention as well as for the 2003 Precursor Control Regulations, is tasked with monitoring and addressing the diversion of chemicals that have legitimate uses but are instead used in the illegal production of illicit drugs. In October, the United Nations Office on Drugs and Crime registered Health Canada as the competent authority for the U.N. Convention on Chemical Importation and noted the Government's compliance.

In August 2005, the GoC moved methamphetamine from Schedule III to Schedule I of the Controlled Drugs and Substances Act to increase maximum penalties for possession, trafficking, importation, exportation and production of methamphetamine. The maximum penalty for production and distribution of methamphetamine was increased from ten years to life in prison. The maximum penalty for simple possession increased from three years to seven.

In November, amendments to the Precursor Control Regulations (PCR) were approved and will come into force in January 2006.

One amendment adds six substances to Part I, Schedule VI of the Controlled Drugs and Substances Act and the PCR. The result is that gamma butyrolactone, 1,4 butanediol, red phosphorus, white phosphorus, hypophosphorous acid and hydriodic acid will receive the strictest control. Other amendments strengthen the existing regulatory framework by

adding a requirement to hold a license to possess a precursor for the purpose of producing a controlled substance, which will allow charges to be laid when no controlled substance is found at the site; strengthening the authority to refuse, revoke or suspend a license or permit when Health Canada has the required information; and adding a provision to allow-pre-license inspections to validate a company's application for a license related to precursor chemicals. The illegal possession of these precursors is an offense fineable up to \$4,347, three years imprisonment or both.

Canada complies with the national and international record keeping and reporting requirements in the 1988 UN Drug Convention, as well as those required under the PCR. Under the 2003 Precursor Control Regulations and the new amendments, Health Canada requires that the approximately 380 licensed dealers track and record all sales and purchases of Class I and II chemicals, according to the law, and provide end use declarations. Licensed dealers are required to have security and record keeping systems in place as part of their license application. These records must be made available to an inspector or, upon request, by the Minister. It is mandatory under the regulations to the Controlled Drugs and Substances Act to report the loss or theft of a controlled substance or precursor. In the event that a shipment of precursor chemicals is not accompanied by the appropriate permit, the shipment may be seized by a Canada Border Services Agency officer.

Under the PCR, Canada can request and use information from international sources to determine administrative actions against offenders. In the event of suspect criminal activity, RCMP is authorized to handle the case. These same provisions permit Health Canada, in some cases, to provide information to international competent authorities, like the Drug Enforcement Administration, when requested.

Canada, through Health Canada and the RCMP, participates actively in Project Prism and is a member of the working group for North America. Although it supports Operations Purple and Topaz and contributes to them on an ad hoc basis, Canada does not engage actively in either initiative.

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